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Canadian Agri-Food Trade Alliance | Alliance canadienne du commerce agroalimentaire

CAFTA Trade Insights

CAFTA: The Voice of Canada's Agri-Food Exporters

CAFTA and the important role of trade in uncertain times

As virtually the entire world remains on near lockdown due to the COVID-19 global pandemic, it has become crystal clear just how foundational agri-food trade is for our economy and way of life. From simply feeding people and animals here and abroad to the critical role global agri-food supply chains play in supporting jobs and the resilience of our sectors, the term “essential service” doesn’t even begin to describe how vital farmers, food manufacturers and others throughout the agri-food value chain are to a world in crisis.

While we all adjust to current circumstances, CAFTA remains focused on its core mission of advancing trade liberalization, and doing our best to ensure the voice of Canadian agri-food exporters is heard. We’re also continuing to engage on trade issues with Parliamentarians, and offices of Ministers of Foreign Affairs, International Trade and Agriculture and Agri-Food Canada as they work to monitor international agri-food supply chains with a particular focus on the U.S. market, as well as with international trading partners and industry counterparts. Fortunately, Canada, multiple trading partners, and various international institutions and organizations such as the G7, G20, the WTO, the FAO, the OECD and the World Bank among others have all echoed the vitally important message that borders must remain open to trade and that restrictions and barriers need to continue to be removed. The recent designation of Canada’s food and agricultural services as critical infrastructure will help ensure food remains on store shelves and the agri-food sector as a key driver of jobs and economic activity is maintained – both of which helps maintain borders open for trade and provides reassurances that agri-food products can continue to flow through value chain domestically and internationally. This should also aid in post-pandemic plans - at some point, recovery efforts will need to take shape.

In all of the chaos, Canada has a unique opportunity to embrace a leadership role in finding bold new ways forward for international trade, the WTO and working through other international fora in support of free and open trade as well as standing up for agri-food exporters and the workers and families that rely on trade for their livelihood. Trade will be vital for the economic recovery, but only if we limit protectionism and bolster international cooperation. Indeed, how Canada engages with its trading partners now will resonate for years to come.

The WTO released a somber Trade Forecast last week: world trade is expected to fall by between 13% and 32% this year as the COVID-19 pandemic disrupts normal economic activities around the world. Nearly all regions will experience double digit declines in 2020 and sectors with complex value chains are expected to be hit hardest. Making the right policy choices now has never been more important.

Early actions are promising. On March 25, Canada, Australia, Chile, Brunei and Myanmar joined forces with New Zealand and Singapore committing to keep supply chains open and removing any existing trade restrictive measures on essential goods, especially medical supplies. In a [statement](#), CAFTA president Dan Darling welcomed commitments by trading partners to keep trade lines open and refrain from imposing tariffs and non-tariff barriers thereby ensuring robust and resilient global supply chains remain operational. “While governments are rightly focused on fighting the spread of COVID-19, we must also recognize that unequivocal global coordinated efforts will be required post-pandemic to jump-start the engines of our economies for recovery to take root. These announcements demonstrate that in times of crisis working together is the best option and that trade policy can and must be part of the solution”.



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CAFTA also welcomed the pledge by [G-20 Leaders](#) and [Trade Ministers](#) to keeping borders open to trade and ensuring food, medical supplies and other essential goods remain flowing unimpeded. In a March 30 [statement](#), Dan Darling emphasised that it is “paramount to keep trade lines open and avoid any unnecessary disruption of supply chains, especially when it comes to ensuring the adequate production and distribution of critical agri-food products.” “For countries that may be tempted to hoard and adopt food restrictions, supply shortfalls will be best addressed through unfettered flow of products and increased production. Taking away the possibility to sell abroad would remove the foundation of a system already bearing much pressure. In these dire times, more trade is needed, not less.”

As the heads of the WTO, the WHO and the UN stated succinctly: **“In the midst of the COVID-19 lockdowns, every effort must be made to ensure that trade flows as freely as possible.”**

Trade Updates

CUSMA is ratified, implementation likely by summer

In a March 13 [statement](#), CAFTA applauded all Parliamentarians for accelerating the passage of CUSMA “at a time of great uncertainty for Canadians.” Noting the agreement returns stability and certainty to North American trade, key benefits include:

- No new tariffs on any agri-food products, and even enhanced market access in select areas
- Preservation of highly integrated agri-food supply chains
- Maintaining dispute resolution provisions that are vital for agri-food exporters

The text of the agreement says it will take effect on the first day of the third month after all three partners have notified the others they've changed their relevant regulations and other administrative systems and are ready to “be bound by the treaty”. Canada and Mexico have already issued their respective notifications. If the U.S. gives its notice before the end of April, the earliest the new deal could take hold is July Canada should implement CUSMA as soon as possible to help ensure a continued strong foundation for uninterrupted trade with our closest neighbor and trading partner.

US-Canada border

Canada has no more important trading partner than the U.S, which is why it was [important to see the Government of Canada work closely](#) with the U.S. to ensure that essential travel and trade continues across the border and provide guidance for exporters. Last week, Canada and the U.S. agreed to extend by 30 days the border measures that are currently in place. As circumstances permit in the future, it will be important for both governments to establish a pathway back to the normalization of Canada-U.S. border operations. We will continue to track these developments.

WTO Interim Appellate Arrangement

Canada has joined 15 other members of the WTO, including the European Union and China, in establishing an [arrangement](#) that will allow for bringing appeals and solving trade disputes due to the current paralysis of the WTO's Appellate Body. The arrangement is intended to replicate the Appellate Body as closely as possible and fully serve as an appeal mechanism for trade disputes between WTO members. In the meantime, we will continue to push for a permanent resolution to this impasse. The Global Affairs statement on the matter can be read [here](#).

On March 28, CAFTA welcomed the announcement to establish a contingency appeal arrangement for trade disputes in a [statement](#). “We welcome the progress to return some certainty and certainty to global trade rules three months after the paralysis of the WTO's Appellate Body. Given the vital role the WTO's dispute settlement system plays for Canadian exporters, we are hopeful that the full functionality of the Appellate



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Body is soon restored. The rules-based international trading system with a functioning WTO at its core will be more important than ever to help us recover from this crisis” said Dan Darling.

Pushing for WTO Reform through the Ottawa Group

According to senior WTO officials, a discussion paper prepared for an Ottawa Group meeting mid-March (which was cancelled), emphasized broad tariff reductions (reducing average MFN tariffs to a certain level) as a fiscal stimulus measure and urged tariff elimination as a direct policy response for immediate and post-pandemic relief. It also makes brief references to agriculture, notably the work of the SPS committee. The paper was not circulated given the cancellation. However it shows that several parties are already considering trade policy measures in response to the current crisis.

And immediately prior to the widespread #StayHome confinement, CAFTA President along with CAFTA Executive Director and 2 members attended a business roundtable meeting with hosted by the Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade and John Hannaford, Deputy Minister. A dozen of industry associations representing various sectors also participated. The purpose was to discuss WTO reforms and the work of the Ottawa Group, ways forward for the WTO and the Appellate Body as well as the importance of industry engagement. During the discussions, CAFTA emphasized the importance of the rules-based trading system in preserving rights of Canada’s agri-food exporters, keeping agri-food front and center in these reform discussions and leveraging global alliances. CAFTA monitors this file closely and continues to engage with officials to help shape the discussions.

WTO Agriculture, SPS and TBT Negotiations Continue

Ahead of the 12th Ministerial Conference (new date TBD), negotiators have been instructed to continue exchanging views on various issues through written communications. In the hope of securing ambitious outcomes, the chair is urging members to table new submissions by the end of this month so that all views and ideas can be compiled and circulated to all. Many of the issues still to discuss include transparency, notification, in-transit tariff changes, export competition and domestic support. CAFTA continues to monitor these negotiations closely. Similarly, the Technical Barriers Committee will proceed in May 13-14.

On the Hill

- On March 12, CAFTA appeared on Bill C-4 (**CUSMA**) before the Senate Standing Committee on Foreign Affairs in order to highlight the benefits of the deal, the need to ensure proper implementation and to urge all Parliamentarians to ratify quickly. CAFTA also appeared before the House of Commons Agriculture and International Trade Committees the week before. On March 13, Bill C-4 (CUSMA) the House of Commons approved a motion (by unanimous consent) to adopt Bill C-4 at 3rd reading. Parliamentarians accelerated passage of CUSMA under extraordinary circumstances. Later that same day, the bill was approved in the Senate on the way to receiving Royal Assent.
- The temporary suspension of **Parliament** expired Monday. This week, the House passed a government motion about parliament sittings-of relevance during the COVID-19 pandemic: the motion suspends all regular sittings of the House of Commons until May 25, creates a new COVID-19 committee (committee of the whole) chaired by the Speaker and that will meet in person on the floor of the House of Commons every Wednesday, starting next week, and by video conference on Tuesdays and Thursdays. Seven members of Parliament shall constitute a quorum.
- Before the House adjourned, the House Standing Committees on International Trade (CITT) began its study of Canada’s WTO reform efforts. We also anticipate that the CITT will study the impacts the pandemic has had on exporters and what recovery efforts should look like from a trade policy



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perspective. Similarly, the House of Commons' Standing Committee on Agriculture and Agri-Food has been encouraged to undertake a study on the effects of the COVID-19 pandemic on Canadian agri-food. CAFTA will be making its views known to committee members.

In other news

WTO on Information Sharing and Transparency during the ongoing crisis

On March 24, WTO [Director-General Roberto Azevêdo asked all members](#) to submit information to the WTO Secretariat about recent trade and trade-related measures, with a specific focus on policies introduced in response to the COVID-19 pandemic. The request by the Director-General is part of the longstanding goal of transparency as part of the WTO's regular reports on trade-facilitating and restricting measures. Additionally, the WTO has compiled a [list](#) of trade related measures adopted by various member states in an attempt to provide transparency with respect to trade and trade-related measures taken in the context of the crisis. A number of WTO members have put in place temporary measures to ensure that trade in agricultural and non-agricultural products continues. Canada did put in place a temporary measure in response to COVID19: businesses can defer paying customs duties owed on imports until June 30, 2020.

Covid-19 response: New Zealand and Singapore launch trade initiative to ensure free flow of goods

New Zealand and Singapore launched a new trade initiative to ensure supply chain connectivity and the removal of blockages to trade: the Declaration includes a list of over 120 products, for which New Zealand and Singapore undertake to remove tariffs, not to impose export restrictions and to remove non-tariff barriers, calls for participants not to apply export restrictions on food and beverage products, and to facilitate trade in food and beverage. This is an "open plurilateral" initiative, so other countries can join at any point.

OECD Secretariat issues trade policy brief on COVID-19 issues

The OECD, in its [April 10 brief](#), said countries should focus on enhancing coordination on trade facilitation and digital trade to mitigate the economic harm of the COVID-19 outbreak. In particular, the group called for "governments to commit not to impose new tariffs or trade restrictive measures". In the short term, the brief also said countries should expedite "certification procedures to allow new products to be traded as soon as possible and ensuring that technical requirements are science-based and do not unnecessarily restrict trade."

In case you missed it

[EU Objects to Romania's Move to Ban Agriculture Exports](#)

[Countries Starting to Hoard Food, Threatening Global Trade](#)

[Agriculture and Agri-food Canada's specific COVID – 19 website.](#)

[G20 farm ministers' commitment to safeguard global food security](#)

[How to Stop a Looming Food Crisis](#)

[Managing Risk and Facilitating Trade in the COVID-19](#)

[Remarks on trade by Commissioner Phil Hogan at G20 Virtual Ministerial](#)

[Wrong tools, wrong time: Food export bans in the time of COVID-19](#)

[Reforming Agricultural Domestic Support: Options for MC12 and Beyond](#)

[Global trade offers a route to recovery](#)

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